RESOLUTION 20-11
ACCEPTING THE FISCAL YEAR 2019 INDEPENDENT AUDIT REPORT OF THE HOUSING AUTHORITY OF THE CITY OF ARLINGTON

WHEREAS, the mission statement of the Housing Authority of the City of Arlington states it will maintain and improve fiscal accountability and operational efficiency; and

WHEREAS, the U. S. Department of Housing and Urban Development requires that housing authorities contract with an independent auditor to perform an independent audit annually in accordance with 2 CFR Part 200, and that the results of this audit be electronically submitted to the U.S. Department of Housing and Urban Development within nine (9) months of the close of its fiscal year; and

WHEREAS, the Housing Authority of the City of Arlington contracted with Sutton Frost Cary LLP to conduct an audit of its financial statements for Fiscal Year 2019; and

WHEREAS, Sutton Frost Cary LLP has completed an audit of the Housing Authority of the City of Arlington for Fiscal Year 2019.

NOW THEREFORE,

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE CITY OF ARLINGTON, TEXAS:

THAT the Executive Director, or her designee, is hereby authorized to accept the Fiscal Year 2019 Independent Audit Report submitted by Sutton Frost Cary LLP, identified herein as Exhibit A, and submit the audit report to the U.S Department of Housing and Urban Development as required.

PRESENTED AND PASSED on this 20th day of May 2020, by a vote of 4 ayes and Ø nays at a regular meeting of the Board of the Commissioners of the Housing Authority of the City of Arlington, Texas.

Richard McKay, Chair

ATTEST:

Mindy Cochran, Executive Director/ Secretary

SEAL:

MEMORANDUM

TO: Housing Authority of the City of Arlington Board of Commissioners

FROM: Mindy Cochran, Executive Director/Secretary

DATE: May 20, 2020

SUBJECT: Resolution 20-11, Accepting the Fiscal Year 2019 Independent Audit Report of the Housing Authority of the City of Arlington

BACKGROUND:

The Housing Authority of the City of Arlington (AHA) engaged Sutton Frost Cary LLP to conduct an independent audit for Fiscal Year 2019 to maintain compliance with 2 CFR 200. With the completion of this audit, the auditor has completed their fifth audit of the AHA. The contract provides an option to renew for up to four years for a total of five audits.

DISCUSSION

Sutton Frost Cary LLP conducted an audit of the AHA's financial statements for all programs and activities for FY2019, which ended September 30, 2019. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental Auditing Standards* issued by the Comptroller General of the United States, the provision of the Single Audit Act, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).*

These governing standards require that the auditor obtain reasonable assurance whether the financial statements are free of material misstatements, whether caused by error, fraudulent financial reporting, or misappropriation of assets. The audit also includes an assessment of the accounting principles used and significant estimates made by management. Sutton Frost Cary LLP has also performed tests of the AHA's internal controls over financial reporting to provide reasonable assurance regarding the achievement of the following objectives:

(1) The AHA properly records and prepares reliable financial statements for its programs; and
(2) The AHA maintains accountability over its assets and demonstrates compliance with laws, regulations, and other compliance requirements; and
(3) Transactions are executed in compliance with federal laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on the programs administered by the AHA; and
(4) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

The audit performed by Sutton Frost Cary LLP included testing of the AHA's financial records and a review of programmatic records to test compliance with applicable regulations. Sutton Frost Cary

LLP's audit report reflects a "finding free" audit report indicating that the AHA is compliant with applicable laws, regulations, and other regulatory requirements.

RECOMMENDATION

Staff recommends that the Housing Authority of the City of Arlington Board of Commissioners accept the Fiscal Year 2019 audit report of the Housing Authority of the City of Arlington submitted by Sutton Frost Cary LLP.

EXHIBIT A

Housing Authority of the City of Arlington, Texas
A Component Unit of the City of Arlington, Texas

Financial Statements with Supplementary Information and Compliance Reports
September 30, 2019 and 2018

SFC
Sutton Frost Cary LLP
Certified Public Accountants

Housing Authority of the City of Arlington, Texas

Contents

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Commissioners of the
Housing Authority of the City of Arlington, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Arlington, Texas (Authority) as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The financial data schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion the schedule of expenditures of federal awards and financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 13, 2020

As management of the Housing Authority of the City of Arlington, Texas (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

Mission and Organizational Structure

The mission of the Authority is to advocate for and pursue affordable housing opportunities for low-income persons in Arlington by:

- Establishing partnerships with public or private community service providers;
- Effectively communicating with internal and external constituencies;
- Attracting and retaining knowledgeable staff and board members by supporting professional development and personal opportunities;
- Maintaining and improving fiscal accountability and operational efficiency.

The Authority is governed by a five-member Board of Commissioners appointed by the Mayor. The Authority operates as an independent metropolitan public housing authority and is affiliated with the City of Arlington through an Interlocal Cooperative Agreement. The Authority employs thirty-three (33) City of Arlington employees.

Financial Highlights

The liabilities of the Authority were less than its assets at the close of the fiscal year 2019 resulting in net position of $4,562,898.

The Authority's cash balance (including restricted and unrestricted) at September 30, 2019 was $3,561,447 representing an increase of $7,423 from September 30, 2018.

The Authority had revenues of $31,548,855 from the U.S. Department of Housing and Urban Development (HUD) operating grants and $335,168 from other revenue sources for the year ended September 30, 2019 compared to $30,675,644 and $589,525, respectively, for the year ended September 30, 2018. Additionally, the Authority experienced a loss on sale of assets held for sale totaling $224,907 during the year ended September 30, 2018. No such loss occurred during the year ended September 30, 2019.

Management's Discussion and Analysis

Management's discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements and notes to financial statements included in this report were prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental entities in the U.S. for proprietary fund types.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows.

The statements of net position present information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses and changes in net position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statements of cash flows report the cash flows from operating, investing, capital and related financing activities.

The basic financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations.

The basic financial statements can be found on pages 9 through 13 in this report.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found in this report after the basic financial statements.

Supplementary Information

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule of expenditures of federal awards can be found on page 47 of this report.

The Authority as a Whole
Assets, Liabilities, and Net Position Comparison

	2019	2018	Increase (Decrease)
Assets:			
Current assets	$ 4,942,765	$ 5,175,944	$ (233,179)
Noncurrent assets	391,227	226,578	164,649
Total assets	$ 5,333,992	$ 5,402,522	$ (68,530)
Liabilities:			
Current liabilities	$ 446,635	$ 376,718	$ 69,917
Long-term liabilities	324,459	350,732	(26,273)
Total liabilities	771,094	727,450	43,644
Net position:			
Unrestricted	3,842,786	3,512,342	330,444
Restricted	496,055	936,152	(440,097)
Net investment in capital assets	224,057	226,578	(2,521)
Total net position	4,562,898	4,675,072	(112,174)
Total liabilities and net position	$ 5,333,992	$ 5,402,522	$ (68,530)

Total assets decreased by $68,530 from 2018 to 2019 and liabilities increased by $43,644, resulting in a decrease in net position of $112,174. Cash increased by $7,423, accounts receivable decreased by $105,678, and investments increased by $29,737. The increase in liabilities is due to an increase in other current liabilities. Overall, the Authority's net position is $112,174 less than it was in the prior year.

Revenues, Expenses and Change in Net Position

	2019	2018	Increase (Decrease)
Revenue:			
HUD operating grants	$ 29,028,986	$ 28,202,382	$ 826,604
HUD administrative revenue	2,519,869	2,473,262	46,607
Other revenue	335,168	589,525	(254,357)
Total revenue	31,884,023	31,265,169	618,854
Expenses and loss:			
Administrative expenses	2,714,198	2,985,435	(271,237)
Housing assistance payments	29,257,263	27,497,033	1,760,230
Depreciation	24,736	22,499	2,237
Loss on sale	-	224,907	(224,907)
Total expenses and loss	31,996,197	30,729,874	1,266,323
Net increase (decrease) in net position	$ (112,174)	$ 535,295	$ (647,469)

Total revenue increased from 2018 to 2019 by $618,854 due mostly to the increase in housing assistance payment (HAP) and administrative fee revenues from the HUD Housing Choice Voucher program. Total expenses increased from 2018 to 2019 by $1,266,323. The Authority also incurred a loss on property held for sale in the amount of $224,907 in the year ended 2018, which was not repeated in 2019. For 2019, expenses exceeded revenue by $112,174, a decrease of $647,469 from 2018.

Program Highlights

During fiscal year 2019, the Authority served an average of 3,450 families each month through its rental assistance and homeless programs. The Authority is a HUD designated high performing agency for the 17th consecutive year, and utilized 100% of the funds allocated for the year. There were six Family Self Sufficiency (FSS) participants who graduated from the FSS program, which served a total of 109 clients during the year.

Factors Affecting FY2020 Budget

Funding for CY2020 is expected to be announced in March 2020. Housing Assistance Payment (HAP) funding for the Authority will continue to be based on Voucher Management System (VMS)-reported information. The Authority expects to serve approximately 3,420 families each month in 2020 under the HCV program, while utilizing nearly 100% of available HAP funding. The Authority's FY20 administrative budget is based on a 77.5% pro-rata factor for units leased, and includes City Council-approved staff raises.

Funding for the Authority's homeless programs is expected to increase by 16% due to modest increases for HAP for several programs.

Looking Ahead

The Authority will continue to maximize utilization of its HAP and administrative funding in pursuit of providing affordable housing opportunities for qualified individuals and families in Arlington. In the upcoming fiscal year, the Authority will continue administering the Amy Young Barrier Removal Program, a housing rehabilitation program that makes accessibility modifications to homes occupied by person with physical disabilities. The Authority will continually seek ways to improve current services, provide additional services, and work with community partners towards meeting the housing needs of low-income individuals and families.

Housing Authority of the City of Arlington, Texas
Statements of Net Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash-unrestricted	$ 2,606,498	$ 2,221,981
Cash - restricted	787,779	1,159,796
Investments	1,296,156	1,266,419
Accounts receivable-HUD	80,703	217,748
Accounts receivable-other, net	147,400	115,747
Accrued investment receivable	113	399
Prepaid expenses	24,116	21,607
Total current assets	4,942,765	5,003,697
Noncurrent assets:		
Cash-restricted	167,170	172,247
Capital assets, net	224,057	226,578
Total noncurrent assets	391,227	398,825
Total assets	$ 5,333,992	$ 5,402,522

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Net Position
September 30, 2019 and 2018

	2019	2018
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$ 80,614	$ 94,834
Accrued wages and payroll taxes payable	50,721	42,814
Accrued compensated absences-current portion	19,533	15,426
Other current liabilities	295,767	223,644
Total current liabilities	446,635	376,718
Long-term liabilities:		
Accrued compensated absences-noncurrent portion	161,332	178,485
Other noncurrent liabilities	163,127	172,247
Total long-term liabilities	324,459	350,732
Total liabilities	771,094	727,450
Net position:		
Unrestricted	3,842,786	3,512,342
Restricted	496,055	936,152
Net investment in capital assets	224,057	226,578
Total net position	4,562,898	4,675,072
Total liabilities and net position	$ 5,333,992	$ 5,402,522

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2019 and 2018

	2019	2018
Operating revenue:		
HUD operating grants	$ 31,548,855	$30,675,644
Other revenue	258,544	545,879
Total operating revenue	31,807,399	31,221,523
Operating expenses:		
Housing assistance payments	29,257,263	27,497,033
Administrative	2,188,878	2,346,373
Tenant services	271,284	261,988
Utilities	23,410	29,153
Ordinary maintenance and operations	88,837	4,614
General	141,789	343,307
Depreciation	24,736	22,499
Total operating expense	31,996,197	30,504,967
Net operating income (loss)	(188,798)	716,556
Non-operating:		
Investment income	76,624	43,646
Loss on sale of assets held for sale	-	(224,907)
Net non-operating income (loss)	76,624	(181,261)
Change in net position	(112,174)	535,295
Net position at beginning of year	4,675,072	4,139,777
Net position at end of year	$ 4,562,898	$ 4,675,072

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Grant receipts	$31,698,963	$30,605,783
Other income receipts	213,829	556,256
Total receipts	31,912,792	31,162,039
Payments to vendors	(578,299)	(829,642)
Payments to employees	(2,157,769)	(2,194,081)
Housing assistance program	(29,194,259)	(27,466,879)
Total disbursements	(31,930,327)	(30,490,602)
Net cash provided (used) by operating activities	(17,535)	671,437
Cash flows from capital and related financing activities:		
Purchases of capital assets	(22,215)	-
Proceeds from sale of capital assets	-	2,914
Net cash provided (used) by capital and related financing activities	(22,215)	2,914
Cash flows from investing activities:		
Investment income	47,173	43,972
Proceeds from sale of assets held for sale	-	214,168
Purchase of assets held for sale	-	(224,549)
Purchase of investments	-	876
Net cash provided by investing activities	47,173	34,467
Net increase in cash	7,423	708,818
Cash at beginning of year	3,554,024	2,845,206
Cash at end of year	$ 3,561,447	$ 3,554,024
Reconciliation to statements of net position:		
Cash-unrestricted	$ 2,606,498	$ 2,221,981
Cash-restricted (current)	787,779	1,159,796
Cash-restricted (noncurrent)	167,170	172,247
Total	$ 3,561,447	$ 3,554,024

See notes to basic financial statements.

Housing Authority of the City of Arlington, Texas
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	$ (188,798)	$ 716,556
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Gain on sale of capital assets	-	(2,914)
Depreciation	24,736	22,499
Changes in operating assets and liabilities:		
Accounts receivable-HUD	137,045	(160,392)
Accounts receivable-other	(42,998)	95,306
Allowance for doubtful accounts	11,345	8,518
Prepaid expenses	(2,509)	(9,391)
Accounts payable	(14,220)	(81,301)
Accrued wages and payroll taxes payable	7,907	3,316
Accrued compensated absences-current portion	4,107	(2,315)
Accrued compensated absences-noncurrent portion	(17,153)	6,353
Other current liabilities	72,123	43,220
Other noncurrent liabilities	(9,120)	31,982
Net cash provided (used) by operating activities	$ (17,535)	$ 671,437

See notes to basic financial statements.

1. Nature of Operations

The Housing Authority of the City of Arlington, Texas (Authority) is organized under the laws of the State of Texas for purposes of engaging in the development, acquisition, leasing, operation, and administration of a Housing Choice Voucher Program.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the Housing Choice Voucher Program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans or grants to assist in financing the acquisition, construction and/or leasing of housing units, to make housing assistance payments, and to make annual contributions (subsidies) for the purpose of maintaining the low-rent character of the local housing program.

On September 17, 2007, the Emergency Housing Assistance Corporation (EHAC) was formed under the Texas Non-Profit Corporation Act at the behest of the Authority to expedite staffing, facilities, and equipment requirements to administer the Disaster Housing Assistance Program funded by the Federal Emergency Management Administration (FEMA), previously administered by HUD. The initial purpose of the EHAC was to provide emergency housing and the prevention of homelessness to victims of Hurricanes Katrina and Rita. Funds remain available to provide emergency assistance and relief to persons affected by natural disasters as needed or requested.

Reporting entity

The Authority is a separate autonomous entity governed by a five member board of commissioners, appointed by the mayor of the City of Arlington, Texas (City). The Authority is reported as a component unit of the City.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board (GASB) Codification and GASB Statement 61, *Financial Reporting Entity: Omnibus* - and amendments of GASB Statements No. 14 and No. 34. These criteria include manifestation of oversight responsibility including financial accountability, appointment of voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

The EHAC is a component unit of the Authority governed by a three to five member board of directors, appointed by the Commissioners of the Authority. The EHAC is reported as a blended component unit of the Authority. Blended component units, although separate entities, are in substance, part of the Authority's operations. No separate financial statements exist for the EHAC.

Description of a public housing authority

Funding for the Authority comes primarily from HUD. The Section 8 Housing Choice Voucher Program (HCV) provides rental supplements on behalf of qualifying individuals to the owners of existing private housing units. The Authority processes all applicants for the HCV Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the program.

The Authority operates the following programs:

Housing Choice Voucher Program - This program was authorized by Section 8 of the National Housing Act to provide housing assistance payments to private, not-for-profit, or public landlords to subsidize rent payments for low-income persons. The Housing Choice Voucher Program allows for existing housing units to be used to house eligible low income families. HUD provides a contracted dollar amount to the Authority which is used to provide rental assistance payment to landlords. This program assists low-income families and individuals in finding and leasing a house or apartment. After inspecting the unit, the Authority assists the resident in negotiating a lease under HUD rules and regulations for the program. After the lease is signed, the resident pays a share of the rent according to HUD guidelines, and the remainder is subsidized by HUD through the Authority.

HOME Investment Partnerships Program - HOME Investment Partnerships Program (HOME) is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. HOME provides formula grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions. The eligibility of households for HOME assistance varies with the nature of the funded activity. For rental housing and rental assistance, at least 90 percent of benefiting families must have incomes that are no more than 60 percent of the HUD-adjusted median family income for the area. The Authority uses HOME fund to provide rental assistance for up to two years for eligible households.

Shelter Plus Care Program - The Shelter Plus Care Program (S+C) is a HUD funded rental housing assistance program for persons that are homeless. The S+C program, as part of a local Continuum of Care strategy, provides rental assistance in connection with supportive services. The program provides a variety of permanent housing choices, accompanied by a range of supportive services funded through other sources. S+C assists hard to serve homeless individuals with disabilities and their families. These individuals primarily include those with serious mental illness, chronic problems with alcohol and/or drugs, and HIV/AIDS or related diseases. To ensure that the neediest of the homeless population are being served, grantees must provide needed supportive services - matching rental assistance with an equal amount of supportive services from other sources. Other federal, state, or local sources, as well as private sources may fund the services. In addition to recordkeeping and evaluation that grantees may conduct for their own purposes, they must adhere to HUD-required recordkeeping plus a formalized annual project review (the Annual Progress Report).

Arlington Nurse Family Partnership - The Arlington Nurse Family Partnership (NFP) program is a HUD-funded program designed to provide stable rental housing and necessary supportive services to young women expecting their first child. In partnership with the Tarrant County Health Department, this program will address critical housing, health, and self-sufficiency needs of both the mother and the infant. Eligible participants are first-time pregnant women that meet income and residency requirements who will receive rental assistance and supportive services of registered nurses for up to two (2) years. Participation in similar programs in the past have resulted in improved prenatal health, fewer childhood injuries, fewer subsequent pregnancies, increased maternal employment, and improved school readiness. As part of the local Continuum of Care strategy, the Authority expects an outcome where children are healthy, families, thrive, unhealthy cycles are broken, and the community prospers.

Rapid Rehousing Program - The Rapid Rehousing program (RRH) serves homeless persons to rapidly rehouse them, and provides on year of rental assistance and two years of case management. Clients are often referred from the Arlington Life Shelter (ALS), My Health My Resources of Tarrant County (MHMRTC), and AIDS Outreach Center. The target population of RRH program participants may include persons who are victims of domestic abuse, as well as persons with mental disabilities, alcohol/drug dependency, or HIV/AIDS.

The Family Self-Sufficiency (FSS) Program - This program assists eligible families in becoming economically self-sufficient members of the community. The program is voluntary for participants of the Housing Choice Voucher program. During the participant’s five year FSSS contract, they are provided with case management and resources to help them achieve their self-chosen goals. To graduate from the FSS program, participants must obtain full-time employment, be free from welfare, and achieve the goals identified in their contract of participation.

Mainstream Voucher Program - This program was funded by the Consolidated Appropriations Acts, 2017-2019, the first funding for new mainstream vouchers since 2005. Mainstream vouchers assist non-elderly persons with disabilities. Aside from serving a special population, mainstream vouchers are administered using the same rules as other housing choice vouchers. Funding and financial reporting for the Mainstream Voucher Program is separate from the regular tenant-based voucher program.

2. Significant Accounting Policies

Basis of Presentation and Accounting

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

The Authority has determined that all of its programs shall be accounted for as a single enterprise fund, which is a type of proprietary fund. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included in the statements of net position.

The Authority utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability has been incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's enterprise fund is grant revenue from HUD. Operating expenses for the Authority include the cost of providing rental assistance to landlords for the benefit of persons participating in the HCV program, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

All of the Authority's programs are accounted for as one business-type activity reported in a single enterprise fund.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for uncollectible accounts receivable, the liability for post- employment benefits, and depreciation. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Budgets

Budgets for the Housing Choice Voucher Program are adopted and amended on a HUD-prescribed basis. In general, operating budgets are adopted on an annual basis, while the budget for programs supported by the Shelter Plus Care, Rapid Rehousing and HOME funds cover up to one year. Expenditures may not exceed total allocations by program. The budget is a management tool used by the Authority and is not considered a legally adopted budget. Accordingly, the budget is not presented as required supplementary information to the financial statements.

Investments

Investments consist of certificates of deposit and are carried at cost which approximates fair value and are legally restricted to investments in HUD-approved securities (principally obligations of the federal government, federal agencies and federally insured bank deposits).

Accounts Receivable - Other

Accounts receivable - other consist primarily of amounts due from repayment agreements and recoupments entered into with current and former voucher participants and property owners, reimbursements from the City of Arlington related to the grants administered, and reimbursements from HUD for the homeless assistance grants. An allowance of $35,122 and $23,777 was reserved for potentially uncollectible amounts at September 30, 2019 and 2018, respectively.

Inter-program Receivables and Payables

Inter-program receivables/payables are all classified as either current assets or current liabilities, and are the result of the use of a common cash account as the paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances are reconciled. These inter-program receivables and payables have been eliminated in the preparation of the basic financial statements. The detail by program can be found in the Financial Data Schedules included in the supplementary information to the financial statements.

Prepaid Expenses

Prepaid expenses consist of payments made to vendors applicable to the next year.

Restricted Cash

The Authority's restricted cash includes the Family Self-Sufficiency (FSS) Escrow balances. The FSS Escrow is established by the Authority for each qualified HCV participant enrolled in the FSS Program. The participants can earn monthly escrow credits during their 5 year contract of participation and the escrow credit is reported in the accompanying financial statements as other liabilities. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete interim goals. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow account is forfeited. Forfeited funds are returned to the HAP budget and made available for future rental assistance. During the year ended September 30, 2019 the Authority was disbursed $325,678 more Mainstream Voucher program funds than expended. As such, this balance in included in restricted cash at fiscal year-end.

Capital Assets

Land, structures, and equipment greater than $5,000 are recorded at historical cost. Donated capital assets are recorded at their fair value on the date donated. Depreciation, using the straight-line method, is calculated over estimated useful lives as follows:

Equipment	5 years
Building improvements	39 years

Impairment of Long-Lived Assets

In accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the years ended September 30, 2019 and 2018.

Compensation for Future Absences

Compensated absences are those absences, for which employees will be paid, such as vacation, computed in accordance with GASB No. 16, *Accounting for Compensated Absences*. The Authority's employees are granted vacation and sick leave in varying amounts. The Authority's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service. The Authority's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days.

HUD Subsidies and Contributions

Subsidies and contributions from HUD are received periodically and represent the most significant source of revenues. The terms of these subsidies and contributions are defined in various contracts. HUD subsidies for ongoing operations and housing assistance payments for each unit rented to qualified tenants are recorded as revenues.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in net capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for the same purpose, it is the Authority's policy to consider restricted net position to be depleted before unrestricted net position is applied.

New Accounting Pronouncements

During the year ended September 30, 2019, the Authority did not adopt any new GASB accounting standards.

The GASB has issued the following statements which will be effective in future years as described below:

> Statement No. 87, *Leases*, which is effective for the Authority beginning in fiscal year 2021. This statement will require recognition of certain lease assets and lease liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Authority has not yet determined the impact on implementing the new statement that will be effective in future years.

3. Cash and Investments

The Authority's deposits are categorized below to give an indication of the level of collateralization provided to the Authority in connection with its cash and investments. Category 1 includes deposits insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions trust department or agent in the Authority's name. Category 3 represents uncollateralized deposits including bank balances collateralized with securities held by the pledging institutions financial institution or by its trust department or agent but not in the Authority's name.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the United States, certificates of deposit or any other federally insured investments. All of the Authority’s cash and investments fall within Category 1.

The Authority has demand deposits for years ended September 30, 2019 and 2018 of $3,561,447 and $3,554,024, respectively. At September 30, 2019, the Authority has certificates of deposits totaling $961,323 with 0.11 to 0.91 years to maturity and U.S. treasury notes totaling $334,833 with 0.25 to 1.50 years to maturity. At September 30, 2018 the Authority had certificates of deposit totaling $1,266,419 with 0.05 to 0.59 years to maturity.

Risks

Interest rate risk - in accordance with its investment policy, the Authority manages its exposure to decline in fair values by limiting its investments to those allowed by HUD and its portfolio maturity to less than three years.

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority complies with the State of Texas custodial risk policy which states that all bank deposits in excess of the FDIC limit be collateralized.

4. Fair Value Measurement

In accordance with Statement 72, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth the Authority's level 1 investments at fair value as of September 30:

	2019	2018
Certificates of deposit	$ 961,323	$ 1,266,419
U.S. treasury notes	334,833	-
Total	$ 1,296,156	$ 1,266,419

5. Accounts Receivable-HUD

Amounts due from HUD consisted of the following at September 30:

	2019	2018
Housing Choice Vouchers	$ 10,417	$ 166,239
Shelter Plus Care	70,286	51,509
Total	$ 80,703	$ 217,748

6. Accounts Receivable-other

Accounts receivable-other consisted of the following at September 30:

	2019	2018
Portable vouchers	$ 9,139	$ 1,613
HAP recoupments	46,274	59,181
Due from other government	37,993	31,417
Fraud recovery	89,116	44,399
Other	-	2,914
Allowance for doubtful accounts	(35,122)	(23,777)
Total	$ 147,400	$ 115,747

7. Due to/(from) Other Programs

Due to/(from) other programs consisted of the following at September 30:

	2019	2018
Business Activities	$ 118,697	$ 102,566
HOME	(37,994)	(31,417)
Shelter Plus Care / Continuum of Care	(70,286)	(46,097)
Family Self Sufficiency	(10,417)	(25,052)
Total	$ -	$ -

These accounts have been eliminated in preparing the financial statements.

8. Capital Assets

A summary of capital assets for the years ended September 30, 2019 and 2018 is as follows:

	Balance at September 30, 2018	Additions	Retirements	Balance at September 30, 2019
Building improvements	$ 562,711	$ -	$ -	$ 562,711
Furniture, equipment, and machinery	359,898	22,215	-	382,113
Less: accumulated depreciation	(696,031)	(24,736)	-	(720,767)
Total	$ 226,578	$ (2,521)	$ -	$ 224,057

	Balance at September 30, 2017	Additions	Retirements	Balance at September 30, 2018
Building improvements	$ 562,711	$ -	$ -	$ 562,711
Furniture, equipment, and machinery	394,086	-	(34,188)	359,898
Less: accumulated depreciation	(707,720)	(22,499)	34,188	(696,031)
Total	$ 249,077	$ (22,499)	$ -	$ 226,578

9. Lease Commitment

The Authority leases its building under a renewable operating lease expiring September 30, 2022 with automatic extensions of 5-year terms at the option of the Authority. The lease provides for annual rental adjustments based on operating expenses of the lessor. Lease expense incurred during the years ended September 30, 2019 and 2018 totaled $49,042. Future minimum lease payments expected under this lease at September 30, 2019 total $49,042 per year for the years ending September 30, 2020 through September 30, 2022. The Authority may terminate the lease if it, in its sole discretion, determines that the use and economic viability of the leased premises warrants termination of the lease.

10. Related Parties

The City provides certain accounting services to the Authority and makes payments on behalf of the Authority. In accordance with the Interlocal Cooperation Agreement, the Authority reimburses the City $1 per unit leased per month, calculated annually at year end. During the years ended September 30, 2019 and 2018, the Authority was billed $41,108 and $41,151, respectively, by the City for accounting services paid by the City on behalf of the Authority. In addition, the City provides health insurance and life insurance coverage for the employees of the Authority. During the years ended September 30, 2019 and 2018, the Authority paid $224,220 and $228,807, respectively, to the City for these expenses.

11. Contract Compliance

The Authority is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditure and a request for reimbursement. In the opinion of the Authority's management, such disallowance, if any, would not be significant to the Authority's financial statements.

12. Retirement Plan Description

The Authority provides, through the City pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 860 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member board of trustees. Although the governor, with the advice and consent of the senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com.

Benefits

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

All eligible employees of the Authority are required to participate in TMRS.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	$	1,793
Inactive employees entitled to but not yet receiving benefits		1,192
Active employees		2,551
	$	5,536

Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the City matching percentages are 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.29% and 15.96% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the years ended September 30, 2019 and 2018, totaled $29,093,440 and $27,624,357, respectively and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The Authority's component unit contribution to the City's pension fund has not been allocated separately due to the component unit contribution percentage being below the threshold and is expended. As such, no pension liability has been recorded by the Authority.

Actuarial Assumptions:

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5 % per year
Overall payroll growth	3.5 % per year
Investment rate of return	6.75 %, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS board of trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate:

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability

	Liability (a)	Net Position (b)	Liability (a) - (b)
Balance at 12/31/2013	$ 1,003,238,111	$ 894,699,665	$ 108,538,446
Changes for the year:			
Service cost	22,819,492	-	22,819,492
Interest	69,393,550	-	69,393,550
Change of benefit terms	-	-	-
Difference between expected and			-
actual experience	(10,846,092)	-	(10,846,092)
Changes of assumptions	-	-	-
Contributions - employer	-	24,198,117	(24,198,117)
Contributions - employee	-	10,501,146	(10,501,146)
Net investment income	-	51,180,304	(51,180,304)
Benefit payments, including refunds of			-
employee contributions	(46,622,851)	(46,622,851)	-
Administrative expense	-	(534,366)	534,366
Other changes	-	(43,934)	43,934
Net changes	34,744,099	38,678,416	(3,934,317)
Balance at 12/31/2014	**$ 1,037,982,210**	**$ 933,378,081**	**$ 104,604,129**
Changes for the year:			
Service cost	24,035,779	-	24,035,779
Interest	71,780,403	-	71,780,403
Change of benefit terms	-	-	-
Difference between expected and			
actual experience	(8,105,420)	-	(8,105,420)
Changes of assumptions	9,851,969	-	9,851,969
Contributions - employer	-	24,012,910	(24,012,910)
Contributions - employee	-	10,884,708	(10,884,708)
Net investment income	-	1,377,207	(1,377,207)
Benefit payments, including refunds of			
employee contributions	(49,131,541)	(49,131,541)	-
Administrative expense	-	(838,887)	838,887
Other changes	-	(41,433)	41,433
Net changes	48,431,190	(13,737,036)	62,168,226
Balance at 12/31/15	**$ 1,086,413,400**	**$ 919,641,045**	**$ 166,772,355**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/15	**$ 1,086,413,400**	**$ 919,641,045**	**$ 166,772,355**
Changes for the year:			
Service cost	26,189,763	-	26,189,763
Interest	72,528,701	-	72,528,701
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,387,760	-	1,387,760
Changes of assumptions	-	-	-
Contributions - employer	-	23,983,655	(23,983,655)
Contributions - employee	-	11,245,390	(11,245,390)
Net investment income	-	62,140,092	(62,140,092)
Benefit payments, including refunds of employee contributions	(50,018,009)	(50,018,009)	-
Administrative expense	-	(701,918)	701,918
Other changes	-	(37,818)	37,818
Net changes	50,088,215	46,611,392	3,476,823
Balance at 12/31/16	**$ 1,136,501,615**	**$ 966,252,437**	**$ 170,249,178**
Changes for the year:			
Service cost	27,615,497	-	27,615,497
Interest	75,735,090	-	75,735,090
Change of benefit terms	-	-	-
Difference between expected and actual experience	6,101,332	-	6,101,332
Changes of assumptions	-	-	-
Contributions - employer	-	26,419,418	(26,419,418)
Contributions - employee	-	11,876,965	(11,876,965)
Net investment income	-	133,891,278	(133,891,278)
Benefit payments, including refunds of employee contributions	(56,616,054)	(56,616,054)	-
Administrative expense	-	(694,027)	694,027
Other changes	-	(35,172)	35,172
Net changes	52,835,865	114,842,408	(62,006,543)
Balance at 12/31/17	**$ 1,189,337,480**	**$ 1,081,094,845**	**$ 108,242,635**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/17	**$ 75,735,090**	**$ -**	**$ 75,735,090**
Changes for the year:			
Service cost	28,887,256	-	28,887,256
Interest	79,408,986	-	79,408,986
Change of benefit terms	-	-	-
Difference between expected and actual experience	6,665,740	-	6,665,740
Changes of assumptions	-	-	-
Contributions - employer	-	28,034,989	(28,034,989)
Contributions - employee	-	12,429,434	(12,429,434)
Net investment income	-	(32,369,787)	32,369,787
Benefit payments, including refunds of employee contributions	(54,703,360)	(54,703,360)	-
Administrative expense	-	(625,874)	625,874
Other changes	-	(32,699)	32,699
Net changes	60,258,622	(47,267,297)	107,525,919
Balance at 12/31/18	**$ 1,249,596,102**	**$ 1,033,827,548**	**$ 215,768,554**

Plan fiduciary net position as a percentage of the total pension liability	82.73%
Covered-employee payroll	$ 177,549,206
Net pension liability as a percentage of covered employee payroll	121.53%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	$ 390,793,354	$ 215,768,553	$ 72,240,019

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of $47,257,843.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ 5,241,437	$ -
Difference between projected and actual investment earnings	84,274,951	-
Contributions subsequent to the measurement date	22,230,404	-
Total	$ 111,746,792	$ -

$22,230,404 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the year ending September 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows for the years ended September 30:

2019	23,399,740
2020	10,285,320
2021	9,733,358
2022	22,037,265
Total	$ 65,455,683

City of Arlington
Schedule of Funding Progress

Actuarial valuation date	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Actuarial value of assets	$ 1,033,827,549	$ 1,081,094,845	$ 966,252,437	$ 919,641,045	$ 933,378,081	$ 842,193,693	$ 787,497,396
Actuarial accrued liability	1,249,596,102	1,189,337,480	1,136,501,615	1,086,413,400	1,037,982,210	1,003,238,111	904,236,326
Unfunded/(overfunded) actuarial accrued liability (UAAL)	215,768,553	108,242,635	170,249,178	166,772,355	104,604,129	108,538,446	116,738,930
Funded ratio	83%	91%	85%	85%	90%	83.9%	87.1%
Annual covered payroll	177,549,206	169,628,359	160,574,881	154,372,375	149,837,550	150,941,487	145,368,879
UAAL as a percentage of covered payroll	122%	64%	106%	108%	70%	71.9%	80.3%

Arlington Housing Authority
Component Unit of the City of Arlington
Trend Information

	09/30/19	09/30/18	09/30/17	09/30/16	09/30/15	09/30/14
Annual pension cost (APC)	$ 243,085	$ 249,727	$ 256,593	$ 224,841	$ 230,075	$ 242,073
Percent of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	-	-	-	-	-	-

General system-wide actuarial assumptions

Actuarial valuation date	December 31, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	27 years
Asset valuation method	10 years smoothed market; 15% soft corridor
Investment rate of return	6.75%
Projected salary increases	3.50% to 10.50% including inflation
Inflation rate	2.50%
Cost-of-living adjustments	1.38%
Payroll growth assumption	3.0% Withdrawal rates (low, mid,
high)	
Male/Female	Mid-high/Mid-high

13. Other post-employment benefits

The Authority administers, through the City a single-employer defined benefit healthcare plan. The plan provides postretirement healthcare benefits to eligible retirees and their spouses. An eligible employee can continue health care coverage in retirement if the employee's age plus service is at least 70 with a minimum age requirement of 50 years and a minimum of ten years of service with the City. Employees hired after December 31, 2005 are not eligible for postretirement health care benefits. The City plan has a non-duplication coordination of benefits with Medicare and other primary plans for retirees and/or their dependents.

When an employee retires, it is the policy of the City to transfer any liabilities and associated expenses to the general fund of the City, regardless of the department or component unit in which the employee worked. Therefore, the actuarial accrued liability for all City employees, including those employed by the Authority, is reflected in the City's comprehensive annual financial report and no liability is shown in the Authority's individual statements.

14. Risk management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses over the coverage period. Insurance coverage provided includes property and casualty, general liability, professional liability, and workers' compensation.

15. Economic dependency

The Housing Choice Voucher Program is economically dependent on annual contributions and grants from HUD. The program operates at a loss prior to receiving the contributions and grants. During the years ended September 30, 2019 and 2018, 99% and 98% of total revenues were from HUD programs, respectively.

16. Subsequent events

The Authority evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Supplementary Information

Housing Authority of the City of Arlington, Texas
Financial Data Schedule - Statement of Net Position
September 30, 2019

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continuum of Care Program 14.267	Mainstream	Elimination	Total
111	Cash-unrestricted	$ 1,501,127	$ 1,093,743	$ -	$ -	$ -	$ 11,628	$ -	$ 2,606,498
113	Cash-other restricted	333,504	-	-	-	-	325,678	-	659,182
115	Cash-restricted for payment of current liabilities	295,767	-	-	-	-	-	-	295,767
100	Total cash	2,130,398	1,093,743	-	-	-	337,306	-	3,561,447
121	Accounts receivable- PHA projects	9,139	-	-	-	-	-	-	9,139
122	Accounts receivable- HUD other projects	-	-	-	10,417	70,286	-	-	80,703
124	Accounts receivable- other government	-	-	37,994	-	-	-	-	37,994
125	Accounts receivable- miscellaneous	46,273	-	-	-	-	-	-	46,273
126.2	Allowance for doubtful accounts-other	(35,122)	-	-	-	-	-	-	(35,122)
128	Accounts receivable-fraud recovery	89,116	-	-	-	-	-	-	89,116
128.1	Allowance for doubtful accounts-fraud	-	-	-	-	-	-	-	-
129	Accrued interest receivable	113	-	-	-	-	-	-	113
120	Total receivables, net of allowances for doubtful accounts	109,519	-	37,994	10,417	70,286	-	-	228,216
131	Investments-unrestricted	689,352	606,804	-	-	-	-	-	1,296,156
142	Prepaid expenses and other assets	24,116	-	-	-	-	-	-	24,116
144	Interprogram due from	-	118,697	-	-	-	-	(118,697)	-
145	Assets held for sale	-	-	-	-	-	-	-	-
150	Total current assets	2,953,385	1,819,244	37,994	10,417	70,286	337,306	(118,697)	5,109,935
162	Buildings	562,711	-	-	-	-	-	-	562,711
164	Furniture, equipment, and machinery- administration	382,113	-	-	-	-	-	-	382,113
166	Accumulated depreciation	(720,767)	-	-	-	-	-	-	(720,767)
160	Total fixed assets, net of accumulated depreciation	224,057	-	-	-	-	-	-	224,057
180	Total noncurrent assets	224,057	-	-	-	-	-	-	224,057
190	Total assets	$ 3,177,442	$ 1,819,244	$ 37,994	$ 10,417	$ 70,286	$ 337,306	$ (118,697)	$ 5,333,992

Housing Authority of the City of Arlington, Texas
Financial Data Schedule – Statement of Net Position
September 30, 2019

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continuum of Care Program 14.267	Mainstream	Elimination	Total
312	Accounts payable < = 90 days	$ 80,614	$ -	$ -	$ -	$ -	$ -	$ -	$ 80,614
321	Accrued wage/payroll taxes payable	50,721	-	-	-	-	-	-	50,721
322	Accrued compensated absences-current portion	19,533	-	-	-	-	-	-	19,533
342	Unearned revenues	-	-	-	-	-	-	-	-
345	Other current liabilities	295,767	-	-	-	-	-	-	295,767
347	Interprogram due to	-	-	37,994	10,417	70,286	-	(118,697)	-
310	Total current liabilities	446,635	-	37,994	10,417	70,286	-	(118,697)	446,635
353	Noncurrent liabilities- other	163,127	-	-	-	-	-	-	163,127
354	Accrued compensated expenses-non current	161,332	-	-	-	-	-	-	161,332
350	Total noncurrent liabilities	324,459	-	-	-	-	-	-	324,459
300	Total liabilities	771,094	-	37,994	10,417	70,286	-	(118,697)	771,094
508.1	Net investment in capital assets	224,057	-	-	-	-	-	-	224,057
511.1	Restricted net position	170,377	-	-	-	-	325,678	-	496,055
512.1	Unrestricted net position	2,011,914	1,819,244	-	-	-	11,628	-	3,842,786
513	Total equity/net position	2,406,348	1,819,244	-	-	-	337,306	-	4,562,898
600	Total liabilities and net position	$ 3,177,442	$ 1,819,244	$ 37,994	$ 10,417	$ 70,286	$ 337,306	$ (118,697)	$ 5,333,992

Housing Authority of the City of Arlington, Texas

Financial Data Schedule – Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2019

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continuum of Care Program 14.267	Mainstream	Elimination	Total
	Revenue								
70600	HUD PHA- operating grants	$ 30,301,789	$ -	$ 211,231	$ 178,009	$ 498,813	$ 359,013	$ -	$ 31,548,855
70800	Other government grants	-	71,238	-	-	-	-	-	71,238
71100	Investment income-unrestricted	36,026	-	-	-	-	-	-	36,026
71400	Fraud recovery	65,432	-	-	-	-	-	-	65,432
71500	Other revenue	76,208	45,666	-	-	-	-	-	121,874
71600	Gain/loss on sale of fixed assets	-	-	-	-	-	-	-	-
72000	Investment income- restricted	24,078	16,520	-	-	-	-	-	40,598
700000	Total revenue	30,503,533	133,424	211,231	178,009	498,813	359,013	-	31,884,023
	Expenses								
91100	Administrative salaries	1,352,045	23,350	7,137	-	26,191	-	-	1,408,723
91200	Auditing fees	30,000	-	-	-	-	-	-	30,000
91300	Management fee	-	-	-	-	-	-	-	-
91310	Bookkeeping fee	-	-	-	-	-	-	-	-
91400	Advertising and marketing	153	-	-	-	-	-	-	153
91500	Employee benefit contributions- administrative	454,301	7,412	2,401	-	8,507	-	-	472,621
91600	Office expense	250,345	1,021	729	-	14,467	-	-	266,562
91700	Legal expense	(1,737)	1,725	12	-	-	-	-	-
91800	Travel	9,815	-	-	-	1,004	-	-	10,819
91000	Total operating- administrative	2,094,922	33,508	10,279	-	50,169	-	-	2,188,878
	Tenant services								
92100	Tenant services-salaries	-	-	8,313	131,727	49,679	-	-	189,719
92300	Employee benefit contributions- tenant services	-	-	6,511	46,282	28,772	-	-	81,565
92500	Total tenant services	-	-	14,824	178,009	78,451	-	-	271,284
	Utilities								
93200	Electricity	18,890	-	913	-	1,362	-	-	21,165
93400	Fuel	2,245	-	-	-	-	-	-	2,245
93800	Other utilities expense	-	-	-	-	-	-	-	-
93000	Total utilities	21,135	-	913	-	1,362	-	-	23,410
	Ordinary maintenance and operation								
94300	Ordinary maintenance and operation contracts	88,837	-	-	-	-	-	-	88,837
94000	Total maintenance	$ 88,837	$ -	$ -	$ -	$ -	$ -	$ -	$ 88,837

Housing Authority of the City of Arlington, Texas
Financial Data Schedule – Statement of Revenue, Expenses and Changes in Net Position
Year Ended September 30, 2019

Line item No.	Account Description	Housing Choice Vouchers 14.871	Business Activity	HOME Investment Partnerships Program 14.239	Family Self Sufficiency 14.896	Continuum of Care Program 14.267	Mainstream	Elimination	Total
96110	Property insurance	$ 1,051	$ -	$ -	$ -	$ 413	$ -	$ -	$ 1,464
96120	Liability insurance	2,514	-	-	-	-	-	-	2,514
96140	All other insurance	2,890	-	-	-	-	-	-	2,890
96100	Total insurance premiums	6,455	-	-	-	413	-	-	6,868
96200	Other general expenses	57,823	57,565	-	-	-	-	-	115,388
96210	Compensated absences	19,533	-	-	-	-	-	-	19,533
96600	Bad debt-other	-	-	-	-	-	-	-	-
96000	Total other general expenses	77,356	57,565	-	-	-	-	-	134,921
96900	Total operating expenses	2,288,705	91,073	26,016	178,009	130,395	-	-	2,714,198
97000	Excess of revenue over operating expenses	28,214,828	42,351	185,215	-	368,418	359,013	-	29,169,825
97300	Housing assistance payments	28,619,274	-	185,215	-	368,418	21,707	-	29,194,614
97350	HAP portability-in	62,649	-	-	-	-	-	-	62,649
97400	Depreciation expense	24,736	-	-	-	-	-	-	24,736
90000	Total expenses	30,995,364	91,073	211,231	178,009	498,813	21,707	-	31,996,197
10000	**Excess (deficit) of total revenue over (under) total expenses**	$ (491,831)	$ 42,351	$ -	$ -	$ -	$ 337,306	$ -	$ (112,174)
11190	Unit months available	45,168	-	435	-	858	-	-	46,461
11210	Unit months leased	41,117	-	232	-	502	-	-	41,851

Housing Authority of the City of Arlington, Texas
Financial Data Schedule – Housing Choice Vouchers Equity Rollforward
Year Ended September 30, 2019

Line item No.	Account Description	Housing Choice Vouchers 14.871
11030	Beginning Equity	$ 2,898,179
11170-001	Administrative Fee Equity - Beginning Balance	1,962,027
11170-010	Administrative Fee Revenue	2,452,967
11170-040	Investment Income	60,105
11170-045	Fraud Recovery Revenue	32,716
11170-050	Other Revenue	(9,769)
11170-051	Comment for Other Revenue	114,015
11170-060	Total Admin Fee Revenues	2,650,034
11170-080	Total Operating Expenses	2,288,705
11170-090	Depreciation	24,736
11170-095	Housing Assistance Portability In	62,649
11170-110	Total Expenses	2,376,090
11170-002	Net Administrative Fee	273,944
11170-003	Administrative Fee Equity - Ending Balance	2,235,971
11170	Administrative Fee Equity	2,235,971
11180-001	Housing Assistance Payments Equity - Beginning Balance	936,152
11180-010	Housing Assistance Payment Revenues	27,848,821
11180-015	Fraud Recovery Revenue	32,716
11180-020	Other Revenue	85,977
11180-030	Total HAP Revenues	27,967,514
11180-080	Housing Assistance Payments	28,619,274
11180-091	Comment for Other Expense	114,015
11180-100	Total Housing Assistance Payments Expenses	28,733,289
11180-002	Net Housing Assistance Payments	(765,775)
11180-003	Housing Assistance Payments Equity - Ending Balance	170,377
11180	Housing Assistance Payments Equity	170,377

Compliance Reports

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners of the
Housing Authority of the City of Arlington, Texas

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Arlington, Texas (Authority) which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 13, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 13, 2020

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Commissioners of the
Housing Authority of the City of Arlington, Texas

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Arlington's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2019. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

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Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
March 13, 2020

Housing Authority of the City of Arlington, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__X__ no
• Significant deficiencies identified?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major program:		
• Material weaknesses identified?	_____ yes	__X__ no
• Significant deficiencies identified?	_____ yes	__X__ none reported
Type of auditors' report issued on compliance for major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	__X__ no
Identification of major federal program:		
Section 8 Housing Choice Voucher Cluster	CFDAs No. 14.871 and 14.879	
Dollar threshold used to distinguish between type A and type B programs:	$936,695	
Auditee qualified as low-risk auditee?	__X__ yes	_____ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Audit Findings

None

Housing Authority of the City of Arlington, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	CFDA#	Contract Number	Expenditures
Direct awards:			
U.S. Department of Housing and Urban Development			
Housing Voucher Cluster:			
Section 8 Housing Choice Voucher Program	14.871	-	$ 30,301,789
Mainstream Voucher Program	14.896	-	33,335
Total Housing Voucher Cluster			30,335,124
Family Self Sufficiency Program	14.896	-	178,009
Continuum of Care Program	14.267	-	498,813
			31,011,946
Pass-through awards:			
U.S. Department of Housing and Urban Development			
City of Arlington			
HOME Investment Partnerships Program	14.239	mc-48-0212	211,231
Total expenditures of federal awards			$ 31,223,177

See notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity for the Housing Authority of the City of Arlington, Texas (Authority) for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net position, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10 percent de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.